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UNITED STATES  
EXCHANGE COMMISSION  
Washington D.C. 20549AB  
UF 4-2-02 KXANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC File Number

8-52931

## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderReport for the period beginning January 1, 2001 and ending December 31, 2001

## A. REGISTRANT INFORMATION

NAME OF BROKER-DEALER:  
Witan Securities, LLC

Official Use Only

Firm ID No.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No.):

225 N. Michigan Ave., 11<sup>th</sup> Floor

(No. and Street)

Chicago

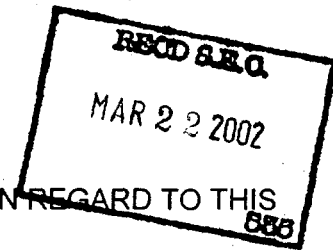
(City)

Illinois

(State)

60601-7601

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS  
REPORT:Paul E. McAllister(312) 819-6750

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

BDO Seidman, LLP

(Name - if individual, state last, first, middle name)

233 N. Michigan Avenue, Suite 2500

(No. and Street)

Chicago

(City)

Illinois

(State)

60601

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant, not resident in United States or any of its possessions

PROCESSED

APR 05 2002

P  
THOMSON  
FINANCIAL

## FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

UF 4-4-02

## OATH OR AFFIRMATION

I, **Paul E. McAllister**, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of **Witan Securities, LLC**, as of **December 31, 2001**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except, as follows:

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\_\_\_\_\_

\_\_\_\_\_

P. McAllister

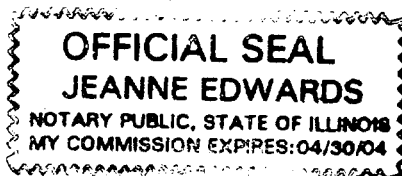
Signature

MANAGING DIRECTOR

Title

Jeanne Edwards

Notary Public



This Report\*\* contains (check all applicable boxes):

- ☒ (a) Facing Page
- ☒ (b) Statement of Financial Condition
- ☐ (c) Statement of Income (Loss)
- ☐ (d) Statement of Changes in Financial Condition
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners or Sole Proprietor's Capital
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors
- ☐ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of reserve Requirements Pursuant to Rule 15c-3-3
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c-3-3
- ☐ (j) A reconciliation, including appropriate explanation, of the Computation of Net capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3
- ☐ (k) A reconciliation between audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- ☒ (l) An Oath or Affirmation
- ☐ (m) A copy of the SIPC Supplemental Report
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit

\*\* For condition of confidential treatment of certain portions of this filing, see section 240.17a-5(e)3.

# Witan Securities, LLC

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**BDO Seidman, LLP**  
Accountants and Consultants

233 N. Michigan Avenue, Suite 2500  
Chicago, Illinois 60601  
Telephone: (312) 856-9100  
Fax: (312) 856-1379

## Independent Auditors' Report

To the Members  
Witan Securities, LLC  
Chicago, Illinois

We have audited the accompanying statement of financial condition of Witan Securities, LLC (an Illinois Limited Liability Corporation) as of December 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Witan Securities, LLC at December 31, 2001, in conformity with accounting principles generally accepted in the United States.

*BDO Seidman, LLP*

Chicago, Illinois  
January 30, 2002



# Witan Securities, LLC

## Statement of Financial Condition

<u>December 31,</u>	<u>2001</u>
Assets	
Cash and Cash Equivalents	\$ 15,297
	<u>\$ 15,297</u>
Members' Equity, 10,000 units authorized, issued and outstanding (Notes 1 and 2)	\$ 15,297
	<u>\$ 15,297</u>

*See accompanying summary of business and significant accounting policies  
and notes to statement of financial condition.*

# Witan Securities, LLC

## Summary of Business and Significant Accounting Policies

### Nature of Business

Witan Securities, LLC (the "Company"), formerly Witan, LLC, was formed in September 2000 to provide financial advisory services, mergers/acquisitions assistance and private placement or credit facility arrangements. In March 2001, upon successful application of membership with the National Association of Securities Dealers, Inc., the Company changed its name to Witan Securities, LLC. Since March 2001, the Company's principal activities have been to assist clients in raising equity and debt capital through private placement of securities. The Company has had no such transactions to date.

The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers operating as a placement agent.

The Company does not hold funds or securities for, or owe any money or securities to, customers and does not carry account of, or for, customers. Accordingly, the Company operates under the exemptive provisions of Securities and Exchange Commission ("SEC") Rule 15c3-3(k)(3).

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Witan Securities, LLC

## Summary of Business and Significant Accounting Policies

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### Cash Equivalents

The Company considers all highly liquid debt instruments with three months or less to maturity to be cash equivalents.

### Income Taxes

Because the Company is an Illinois Limited Liability Corporation, the members/principals are individually responsible for income taxes that result from the operations of the Company. As such, federal and state income taxes payable by the members/principals are not reflected in the accompanying financial statements.

# Witan Securities, LLC

## Notes to Statement of Financial Condition

### 1. Regulatory Net Capital Requirements

The Company is subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 in the first 12 months after commencing business as a broker/dealer, and shall not exceed 15 to 1 thereafter. As of December 31, 2001, there was no indebtedness and the regulatory net capital was \$15,297 which was \$10,297 in excess of its required regulatory net capital of \$5,000 at December 31, 2001. Net capital and the related net capital ratio may fluctuate on a day-to-day basis.

### 2. Related Party Transactions

Substantially all of the Company's operating expenses are paid for by KGN Financial Services, L.L.C. ("KGN"), which is a noncontrolling 50% member of the Company. The operating agreement of the Company contains an advance agreement between the Company and KGN. The advance agreement provides for KGN to pay for the Company's expenses (the "advances"), not to exceed a total amount outstanding of \$250,000. The Company is obligated to repay these advances only to the extent that such repayment does not result in the violation of the Company's aggregate indebtedness to net capital ratio of the greater of (i) 8:1 or (ii) as mandated by the NASD Regulations, or result in the Company's net capital being less than 150% of the minimum requirements mandated by NASD Regulations. The form of the advance agreement was submitted to, and approved by, the NASD.

As of December 31, 2001, repayment of the advances would result in the Company violating these ratios. Total accumulated costs relating to the Company, as recorded by KGN, are \$49,271.

Costs paid for by KGN on behalf of the Company have been recorded as expenses in the period in which they were incurred, and have been recognized as capital contributions. Should the Company repay any of these amounts in the future, these repayments will be recorded as a return of capital.



# **Witan Securities, LLC**

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## **Statement of Financial Condition** As of December 31, 2001

# **Witan Securities, LLC**

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**Independent Auditors' Report on Internal Control**  
**Required by SEC Rule 17a-5**  
As of December 31, 2001

# Witan Securities, LLC

## Contents

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Affirmation of Officers

Independent Auditors' Report on Internal Control Required by  
SEC Rule 17a-5

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SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

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(Zip Code)

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(312) 819-6750

(Area Code - Telephone No.)

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INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
BDO Seidman, LLP

(Name - if individual, state last, first, middle name)

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(No. and Street)

Chicago

(City)

Illinois

(State)

60601

(Zip Code)

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☐ Public Accountant  
☐ Accountant, not resident in United States or any of its possessions

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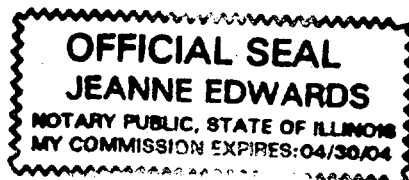
\_\_\_\_\_

\_\_\_\_\_

  
Signature

MANAGING DIRECTOR  
Title

  
Notary Public



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**BDO Seidman, LLP**  
Accountants and Consultants

233 N. Michigan Avenue, Suite 2500  
Chicago, Illinois 60601  
Telephone: (312) 856-9100  
Fax: (312) 856-1379

## **Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5**

To the Members  
Witan Securities, LLC  
Chicago, Illinois

In planning and performing our audit of the financial statements and supplemental material of Witan Securities, LLC (the "Company") for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparison.
2. Recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's abovementioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, the National Association of Securities Dealers and any other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

Chicago, Illinois  
January 30, 2002